

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL NOTE

SB 72 - HB 204

February 7, 2019

SUMMARY OF BILL: Requires certain municipalities to contract with banks offering the highest interest rate on daily balances for the placement of municipal funds. Authorizes certain municipalities to consider factors other than highest interest rate when contracting with a bank. Requires municipalities to evaluate such bank contracts at least every four years.

ESTIMATED FISCAL IMPACT:

Other Fiscal Impact – A precise impact to local government revenue and expenditures cannot reasonably be determined due to multiple unknown variables; however, any increase in local expenditures is considered mandatory.*

Assumptions:

- Under current law, Tenn. Code Ann. § 6-4-402, § 6-22-120, § 6-35-313, and § 6-56-110, such municipalities are authorized to place municipal funds with any financial institution, as long as the institution meets certain requirements for securing the funds with collateral.
- Under the proposed legislation, municipalities with city manager-commission charters and modified city manager-council charters are authorized to also consider service charges and other factors when selecting a bank. All banks would still be required to meet current collateral standards.
- To the extent a municipality contracts with a bank which offers a higher interest rate and assesses similar service charges and penalties as the current bank utilized by the municipality, there will be a recurring increase in municipal revenue associated with interest gained on the daily balance; however a precise increase in municipal revenue cannot reasonably be determined due to multiple unknown factors.
- To the extent a municipality is required to contract with a bank which assesses higher service charges and penalties than the municipality's current bank, there will be a mandatory recurring increase in local expenditures; however a precise increase in local expenditures cannot reasonably be determined due to multiple unknown factors.
- To the extent any municipality is required to change the bank in which their current municipal funds are located as a result of the provisions of this bill, the municipality could experience an increase in local expenditures for charges associated with

establishing a new bank account. The extent and timing of any such charges cannot reasonably be determined.

- Due to multiple unknown factors a precise impact to local government revenues and expenditures cannot reasonably be determined; however any increase in local expenditures is consider mandatory.

**Article II, Section 24 of the Tennessee Constitution provides that: no law of general application shall impose increased expenditure requirements on cities or counties unless the General Assembly shall provide that the state share in the cost.*

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink that reads "Krista Lee Carsner". The signature is written in a cursive, flowing style.

Krista Lee Carsner, Executive Director

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